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July 6, 2006

The Honorable Michael Chertoff
Secretary of Homeland Security
Department of Homeland Security
Washington, DC 20528

Dear Mr. Secretary:

We are writing with questions about a recent report that the Department of Homeland Security is considering renting cruise ships to provide housing for illegal immigrants detained in the United States. We would like to know (1) whether this report is true and (2) if it is, what steps the Department will take to prevent a repeat of the costly mistakes that were made when cruise ships were used to provide temporary housing after Hurricane Katrina.

We also have similar questions about a contract that the Army Corps of Engineers awarded in January on behalf of the Department to a Halliburton subsidiary, KBR, to construct temporary detention centers along the border. Halliburton has a well-documented record of wasteful spending in Iraq, and we want to know how the Department will prevent a repeat of these abuses in the new contract.

The Cruise Ship Proposal

According to a recent account on *GovExec.com*, Customs and Border Protection “is considering a variety of methods to accommodate what is expected to be a surge in illegal immigrants detained, including holding those arrested on ships to await trial.”¹ One option under active consideration, according to this account, is “buying out-of-service cruise ships or leasing them to create ‘detention barges’ at sea.”² These ships “would act as jails, housing alleged violators of U.S. immigration law.”³

¹ *Border Agency Weighs Options to Handle Surge in Detainees*, GovExec.com (June 5, 2006) (online at www.govexec.com/dailyfed/0606/060506j1.htm).

² *Id.*

³ *Id.*

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If accurate, this report raises several red flags.

Recent experience shows that using cruise ships for temporary housing is enormously expensive. In September 2005, the Military Sealift Command, acting on behalf of FEMA, awarded Carnival Cruise Lines three contracts worth a combined \$236 million to provide temporary housing to Hurricane Katrina evacuees and emergency personnel. Under these contracts, the federal government paid more than \$50,000 to house a single person for six months, almost \$300 per person for each night's lodging (nearly \$600 per night double occupancy).⁴ As Congressman Lynch pointed out at a recent Committee hearing, it would have been cheaper to rent a suite at the Bellagio Hotel and Casino in Las Vegas, a two-bedroom apartment at Trump World Tower in New York City, or Fanningstown Castle in Ireland than to house evacuees on cruise ships under the contract with Carnival.⁵

There were multiple causes of the high costs of the Carnival contracts. I have enclosed with this letter a staff analysis of new emails involving the Carnival Cruise Line contract. These emails, which were provided by Florida Governor Jeb Bush, show that even Carnival's own representative referred to Carnival's efforts to avoid federal taxes as "simply greed."⁶ Another reason for the inflated costs was that the contract called for Carnival to earn the same level of profit that it would have earned if the ships had been in regular use. This meant that the federal government was, in effect, reimbursing this highly profitable company for lost casino, bar, and shore excursion revenues.⁷

To assist Congress in its oversight of federal spending, we request that you confirm whether the Department is again considering the use of cruise ships to provide temporary housing. If the report is accurate, we further request that you explain what lessons the Department has learned from the experience after Hurricane Katrina and what steps the Department will take to prevent a repeat of the wasteful spending on cruise ships that occurred then. We also request copies of any documents relating to the possible use of cruise ships to house illegal immigrants.

⁴ The occupancy rates used in this calculation are based on FEMA and Department of Homeland Security reports. See FEMA Weekly Reports (Oct. 13, 2005 through Feb. 28, 2006); Department of Homeland Security, *Management Advisory Report on the Acquisition of Cruise Ships for Hurricane Katrina Evacuees (Report Number GC-HQ-06-11)* (Feb. 16, 2006) (online at www.dhs.gov/interweb/assetlibrary/OIG_GC_HQ_06-11.pdf).

⁵ House Committee on Government Reform, *Hearing on Contracting and Hurricane Katrina* (May 4, 2006).

⁶ Minority Staff, House Committee on Government Reform, *Analysis: New Carnival Cruise Line Emails* (July 5, 2006).

⁷ Letter from Rep. Henry A. Waxman to Secretary Chertoff (Oct. 20, 2005).

The Halliburton Contract

In January, the Army Corps of Engineers, on behalf of the Department, awarded Halliburton subsidiary KBR a \$385 million contract for “establishing temporary detention and processing capabilities to augment existing ... facilities” and to “provide migrant detention support.”⁸ This contract “provides for planning and, if required, initiation of specific engineering, construction and logistics support to establish, operate and maintain one or more expansion facilities.”⁹

As the recent report *Dollars, Not Sense: Government Contracting Under the Bush Administration* released by Congressman Waxman documents, Halliburton’s recent track record as a government contractor in Iraq has been marred by “egregious overcharges” and questioned and unsupported costs in excess of \$1 billion.¹⁰ It is unclear how this performance record was taken into consideration in the award of the January contract for detention facilities and what steps the Department and the Corps of Engineers plan to take prevent a recurrence of the waste, fraud, abuse, and mismanagement that have characterized the Halliburton contracts in Iraq.

For these reasons, we also request (1) the documents relating to Halliburton’s bid and selection for the detention center contract and (2) an explanation of what audit and other oversight mechanisms will be applied to the Halliburton contract to protect taxpayer interests.

Conclusion

Thank you for your attention to these issues. We would appreciate a response to this request by July 19, 2006.

Sincerely,



Henry A. Waxman
Ranking Minority Member



Stephen F. Lynch
Member of Congress

⁸ Halliburton Press Release, *KBR Awarded U.S. Department of Homeland Security Contingency Support Project for Emergency Support Services* (Jan. 24, 2006).

⁹ *Id.*

¹⁰ Minority Staff, Special Investigations Division, House Committee on Government Reform, *Dollars, Not Sense: Government Contracting Under the Bush Administration* (June 19, 2006) (online at <http://democrats.reform.house.gov/story.asp?ID=1071>)